A.C.L. Ex No 9

CONFIDENTIAL & CONFIDENTIAL

EXHIBIT 3
F.E.C. Ry Co
VS
FILED IN EVIDENCE
JAN 1 1 1943

RAILWAY OPERATING REVENUE COMPARISONS

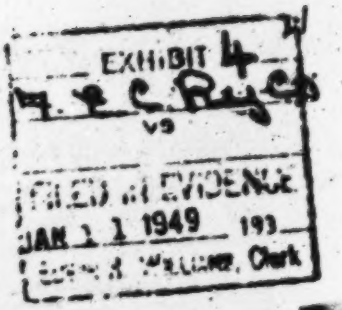
1946 VS 1939 AND 1940

	Average 1939-1940 (Thousands of Dollars)	1946 (Thousands of Dollars)	Per cent Increase
Florida East Coast	$ 10,005	$ 26,543	165.3
Seaboard Air Line	46,327	112,403	142.6
Atlantic Coast Line	32,044	186,103	142.3
Southern Railway	102,530	213,091	108.8
Central of Georgia	15,963	31,703	98.6
Louisville & Nashville	93,173	169.666	82.1
Southern Region	528,694	1,061,621	100.8
All Class I Railroads	4,145,803	7,627,314	84.0

Sources: I.C.C. "Statistics of Railways in the U.S." and A.A.R., Bureau of Railway Economics "Railway Revenues and Expenses"

a c & Exhibit

COVERDALE & COLPITTS



RAILWAY OPERATING REVENUE COMPARISONS

JANUARY TO OCTOBER, INCLUSIVE
1947 VS 1939 AND 1940

	January-October, Inclusive		Per cent Increase
	Average 1939-1940	1947	
	(Thousands of Dollars)		
Florida East Coast	$ 8,257	$ 22,947	170.1
Seaboard Air Line	37,363	97,794	160.3
Atlantic Coast Line	42,685	105,548	147.3
Southern Railway	84,095	182,692	117.2
Louisville & Nashville	76,497	154,679	102.2
Central of Georgia	13,217	26,490	100.4
Southern Region	433,448	979,480	126.0
All Class I Railroads	3,410,621	7,121,948	108.8

SOURCE: A.A.R., Bureau of Railway Economics, "Railway Revenues and Expenses"

[redacted]

A.E.T. Exhibit No 5

EXHIBIT 5
N. E. R. Co.
vs
FILED IN EVIDENCE
JAN 13 1943 192
Edwin A. Williams, Clerk

[redacted]

	January-October, Inclusive		Per cent Increase
	Average 1939-1940	1941	
	(Thousands of Dollars)		
Florida East Coast	$ 4,960	$ 13,709	176.4
Seaboard Air Line	28,337	77,421	173.0
Atlantic Coast Line	31,933	78,817	146.7
Southern Railway	70,152	153,198	118.4
Central of Georgia	10,752	21,697	101.8
Louisville & Nashville	66,380	132,497	99.1
Southern Region	359,984	799,870	122.2
All Class I Railroads	2,788,995	5,787,517	107.5

SOURCE: A.A.R., Bureau of Railway Economics, "Railway Revenues and Expenses"

GOVERDALE & COLPITTS

a & J. Ex No 6

EXHIBIT 6
F.E.C. Ry Co
vs
FILED IN EVIDENCE
JUN 1 1 1949 193
EDWIN R. WILLIAMS, Clerk

PASSENGER REVENUE COMPARISONS

JANUARY TO OCTOBER, INCLUSIVE 1947 VS 1939 AND 1940

	January-October, Inclusive		Per cent Increase
	Average 1939-1940	1947	
	(Thousands of Dollars)		
Atlantic Coast Line	$ 6,372	$ 18,705	193.5
Florida East Coast	2,402	6,492	170.3
Louisville & Nashville	5,113	12,948	153.2
Southern Railway	7,383	17,596	140.3
Seaboard Air Line	5,682	13,387	134.5
Central of Georgia	1,033	2,434	134.2
Southern Region	40,077	107,493	168.2
All Class I Railroads	347,498	800,200	130.3

Source: A.A.R., Bureau of Railway Economics, "Railway Revenues and Expenses"

D.C.T. Ex no 7

COVERDALE & COLPITTS

EXHIBIT 7
7 F.E.C. Ry Co.
vs
FILED IN EVIDENCE
JAN 1 1 19[illegible] 193
Edwin H. Williams, Clerk

FLORIDA EAST COAST RAILWAY COMPANY

NET AVAILABLE FOR INTEREST ADJUSTED FOR NONRECURRING ITEMS

YEAR 1947

	(Thousands of Dollars)
Estimated net available for interest (A)	$ 163
Adjustments (additions)	
1. Amortization charges for defense projects (B)	64
2. Net charges to operating expenses account new rail program (C)	948
3. Charges to operating expenses account Okeechobee Branch retirements (C)	1,080
4. Estimated deferred maintenance made up in 1947 (C)	217
5. Estimated net traffic loss due to freezes, hurricanes and floods (50% of $1,384,000) (D)	692
6. Estimated cost of restoration account flood damage (D)	138
Adjusted net available for interest	$3,242
7. Further adjustment to exclude the interim freight rate increase granted in October, 1947 and the wage increases effective in September and November, 1947 (D)	402
Adjusted net available for interest (after adjustment No. 7)	$3,644

Sources:

(A) Based on Trustee's estimate of net railway operating income.
(B) Estimate based on 11 months report of "Revenues and Expenses" to I.C.C.
(C) Estimates furnished by Trustee of F.E.C.
(D) Based on information furnished by Trustee of F.E.C.

a.e.f. Exhibit 8

COVERDALE & COLPITTS

EXHIBIT 8
F.E.C. Ry Co
vs
FILED IN EVIDENCE
JAN 11 1949
Edwin H. Williams, Clerk

INCREASE IN POPULATION

COUNTIES SERVED BY FLORIDA EAST COAST RAILWAY COMPANY

VS

STATE OF FLORIDA AND ENTIRE UNITED STATES

Counties	Total Population			Per cent Increase	
	1930	1940	Jan.1.1947	1930-40	1940-47
	(In Thousands)				
Duval	155.5	210.1	305.4	35.1	45.4
St. Johns	18.7	20.0	24.1	7.0	20.5
Flagler	2.5	3.0	3.0	20.0	
Putnam	18.1	18.7	19.9	3.3	6.4
Volusia	42.8	53.7	65.2	25.5	21.4
Seminole	18.7	22.3	27.4	19.3	22.9
Orange	49.7	70.1	96.8	41.0	38.1
Brevard	13.3	16.1	21.6	21.1	34.2
Osceola	10.7	10.1	11.8	-5.6	16.8
Indian River	6.7	9.0	10.2	34.3	13.3
Okeechobee	4.1	3.0	3.2	-26.8	6.7
St. Lucie	7.1	11.9	14.5	67.6	21.8
Martin	5.1	6.3	6.8	23.5	7.9
Palm Beach	51.8	80.0	125.3	54.4	56.6
Broward	80.1	39.8	56.2	98.0	41.2
Dade	143.0	267.7	351.5	87.2	31.3
Total	587.9	841.8	1,142.9	48.2	35.8
State of Florida	1,468.2	1,897.4	2,510.0	29.2	32.3
United States	122,775.0	131,669.3	139,621.8	7.2	6.0

Sources: 1930-1940 - Sixteenth Census of the U.S., Vol. I.
Jan. 1, 1947 - Estimated in Sales Management Survey of Buying Power, May 10, 1947.

GOVERNMENT EXHIBITS

a.e.f. Ex No 9

EXHIBIT 9
F.E.C. Ry. Co.
vs
FILED IN EVIDENCE
JAN 11 1943 193
Ernest P. Williams, Clerk

INCREASE IN LAND IN FARMS*

COMPUTED SERVED BY FLORIDA EAST COAST RAILWAY COMPANY

VS

STATE OF FLORIDA AND ENTIRE UNITED STATES

Counties	1930	1940	1945	Per cent Increase 1930-40	Per cent Increase 1940-45
	(Acres)				
Duval	44,608	61,067	66,000	36.9	8.1
St. Johns	22,935	33,946	117,000	48.0	244.7
Flagler	13,463	30,786	232,000	128.7	653.6
Putnam	67,908	69,073	134,000	2.3	94.0
Volusia	76,681	263,286	234,000	243.4	-11.1
Seminole	34,471	65,744	173,000	90.7	163.1
Orange	102,347	209,835	421,000	105.0	100.6
Brevard	85,608	170,939	200,000	567.5	17.0
Osceola	73,608	488,588	813,000	546.2	66.4
Indian River	47,022	112,877	151,000	140.1	33.8
Okeechobee	28,142	171,620	265,000	509.8	54.4
St. Lucie	19,013	154,668	292,000	713.5	88.8
Martin	7,777	37,204	176,000	391.0	373.0
Palm Beach	34,576	80,173	278,000	131.9	246.7
Broward	24,139	77,559	108,000	221.3	39.2
Dade	30,620	70,303	78,000	39.3	10.6
Total	674,318	2,097,870	3,738,000	211.1	78.2
State of Florida	3,086 617	8,337,708	13,084,000	63.9	56.9
United States	986,771,016	1,060,852,374	1,141,615,000	7.5	7.6

* As defined by the Census Bureau.

Sources: 1930 and 1940 - Sixteenth Census of the United States, Vol. I, Part 3.
1945 - County Data Book, Supplement to the Statistical Abstract of the United States.

CERTAIN INDICATORS OF ECONOMIC GROWTH IN RECENT YEARS

STATE OF FLORIDA VS ENTIRE UNITED STATES

	Units	First Period			Second Period	
		Year	Florida	United States	Year	Florida
Population						
Total population	Thousands	1940(B)	1,897	131,669	Jan. 1, 1947(A)	2,510
Income						
Effective buying income - gross dollars	Millions of dollars	1939(A)	764	67,783	1946(A)	2,478
Total income payments to individuals	Millions of dollars	1939	819	70,601	1945	2,387
Net salaries and wages	Millions of dollars	1939	466	43,850	1945	1,523
Estimated agricultural net income	Millions of dollars	1939	80	5,303	1945	342
Business and Industry						
Construction contracts awarded	Thousands of dollars	1939	92,223	3,550,543	1945	106,027
Pay rolls in manufacturing industries	Millions of dollars	1939	59	13,189	1945	233
Mineral production	Thousands of dollars	1939	13,060	4,210,418	1944	21,852
Business telephones	Number of telephones	1939	84,905	6,823,555	1944	111,420
Nonagricultural employment	Thousands of employees	1939	361	29,413	1945	452
Electric power output	Millions of kilowatt hrs.	1939(C)	1,150	130,336	1946(D)	2,663
Retail sales	Thousands of dollars	1939(E)	614,464	42,041,790	1946(A)	1,528,629
Finance						
Bank deposits	Millions of dollars	12-30-1939	412	68,222	12-31-1945	1,806
Bank debits (Florida - 4 centers)	Millions of dollars	1939	1,947	232,551	1945	5,229
Bank clearings (Jacksonville, Fla.)	Millions of dollars	1939(C)	970	290,200	1946(F)	3,568
Agriculture						
Total value of all livestock on farms	Millions of dollars	1940	30	5,132	1946	76
Carlot shipments, all fresh fruits and vegetables	Carloads	1940(G)	87,383	~~759,926~~ 753,938	1946(G)	135,362
Miscellaneous						
Domestic electric customers	Thousands of customers	1939	285	23,965	1945	426
Residential telephones	Number of telephones	1939	67,732	11,108,223	1944	109,131
Gross postal receipts (fiscal years)	Thousands of dollars	1939	8,124	703,301	1945	18,561

Sources: All data unless otherwise noted - State and Regional Market Indicators, 1939-1945; Economic Series No. 60; Office of Domestic Commerce, U.S. Department of Commerce, Washington: 1947.

(A) Estimates in Sales Management Survey of Buying Power, April 10, ~~1947~~ 1940 and May 10, 1947.
(B) Sixteenth Census of the United States.
(C) Statistical Abstract of the United States, 1940.
(D) The Economic Almanac for 1948, National Industrial Conference Board.
(E) County Data Book, Supplement of the Statistical Abstract of the United States, 1946.
(F) The Commercial and Financial Chronicle, Vol. 165, No. 4559, January 13, 1947.
(G) Carlot Shipments of Fruit and Vegetable by Commodities, States, and Months including Boat Shipments Reduced to Carlot Equivalents, Calendar Years 1940 and 1946: Production and Marketing Administration, U.S. Dept. of Agriculture, Washington, D.C.

A.C.L. Exhibit 10

EXHIBIT 10
F. E. C. Ry. Co.
VS
FILED IN EVIDENCE

CERTAIN INDICATORS OF ECONOMIC GROWTH IN RECENT YEARS

STATE OF FLORIDA VS ENTIRE UNITED STATES

Units	First Period			Second Period			Increase	
	Year	Florida	United States	Year	Florida	United States	Florida	U.S.
Thousands	1940(B)	1,897	131,669	Jan. 1, 1947(A)	2,510	139,622	32.3	6.0
Millions of dollars	1939(A)	764	67,783	1946(A)	2,478	160,193	224.3	136.3
Millions of dollars	1939	819	70,601	1945	2,387	152,704	191.5	116.3
Millions of dollars	1939	466	43,850	1945	1,323	98,692	226.8	125.1
Millions of dollars	1939	80	5,303	1945	342	15,094	327.5	184.6
Thousands of dollars	1939	92,223	3,550,543	1945	106,027	3,299,303	15.0	-7.1
Millions of dollars	1939	59	13,189	1945	233	37,762	294.9	186.3
Thousands of dollars	1939	13,060	4,210,418	1944	21,852	7,015,279	67.3	66.6
Number of telephones	1939	84,905	6,823,555	1944	111,420	8,316,363	31.2	21.9
Thousands of employees	1939	361	29,413	1945	452	35,219	25.2	19.7
Millions of kilowatt hrs.	1939(C)	1,150	130,336	1946(D)	2,663	225,643	131.6	73.1
Thousands of dollars	1939(E)	614,464	42,041,790	1946(A)	1,328,629	96,329,760	148.8	129.6
Millions of dollars	12-30-1939	412	68,222	12-31-1945	1,806	165,614	338.3	142.8
Millions of dollars	1939	1,947	252,351	1945	5,229	350,606	168.6	118.0
Millions of dollars	1939(C)	970	290,200	1946(F)	3,568	696,275	267.8	139.9
Millions of dollars	1940	30	5,132	1946	76	9,635	153.3	87.7
Carloads	1940(G)	87,383	~~739,926~~ 753,938	1946(C)	135,362	1,026.865	54.9	~~34.2~~ 35.1
Thousands of customers	1939	283	23,365	1945	426	28,117	49.5	17.3
Number of telephones	1939	67,732	11,108,223	1944	109,131	15,012,033	61.1	35.1
Thousands of dollars	1939	8,124	703,301	1945	18,361	1,216,088	128.5	72.9

Note: All data unless otherwise noted - State and Regional Market Indicators, 1939-1945; Economic Series No. 60; Office of Domestic Commerce, U.S. Department of Commerce, Washington: 1947.

(A) Estimates in Sales Management Survey of Buying Power, April 10, ~~1947~~ 1946 and May 10, 1947.
(B) Sixteenth Census of the United States.
(C) Statistical Abstract of the United States, 1940.
(D) The Economic Almanac for 1948, National Industrial Conference Board.
(E) County Data Book, Supplement of the Statistical Abstract of the United States, 1946.
(F) The Commercial and Financial Chronicle, Vol. 165, No. 4339, January 13, 1947.
(G) Carlot Shipments of Fruit and Vegetable by Commodities, States, and Months including Boat Shipments Reduced to Carlot Equivalents, Calendar Years 1940 and 1946: Production and Marketing Administration, U.S. Dept. of Agriculture, Washington, D.C.

Coverdale & Colpitts
Consulting Engineers
120 Wall St., New York

A E S Ex. No 11

48372 Fin. Div.

Exhibit 11
M.E.C. Ry. Co.

FILED IN EVIDENCE
JAN 11 1949
Ellen R. Williams, Clerk

January 7, 1948

COMPARISON OF ATLANTIC COAST LINE
AND FLORIDA EAST COAST
MAINTENANCE OF WAY EXPENDITURES

	Ten Months Ended Oct. 31 1946 (000 omitted)	1947	% Increase or Decrease
Atlantic Coast Line	$25,621	$22,789	-11.05
Florida East Coast	3,267	4,688	+43.49
Florida East Coast (excluding Okeechobee Branch Retirements)	3,267	3,833	+17.32

If the Atlantic Coast Line Maintenance of Way ratio had been maintained during the first ten months of 1947, Maintenance of Way would have been $26,176,000, or an increase of $3,387,000.

If the Atlantic Coast Line had maintained its Maintenance of Way ratio during the first ten months of 1947, it would have had a deficit in Net Railway Operating Income of $2,189,000 instead of an increase of $1,198,000.

D.P.C. Exhibit 12

12

EXH. 3.1 12
F.E.C. Ry. Co.

JAN 1 1 ... 19..
Edward A. Williams, Clerk

January 7, 1948.

CALCULATIONS INDICATING PROBABLE NET AVAILABLE FOR INTEREST OF FLORIDA EAST COAST DURING 1948 ASSUMING 1947 LEVEL OF TRAFFIC.

1947 Adjusted Net Available	$3,644,000
Plus Increases in Rates - Interim Freight 17½% (a)	2,876,000
Passenger approx. 10% (b)	770,000
Interim Mail Pay 25% (c)	128,000
Sub total	$7,418,000
Less Increases in Wages 15½¢ per hour (d)	1,750,000
Less Increases in Payroll Taxes	153,000
Balance - Estimated Net Available for Interest in 1948	$5,515,000

Less whatever increases in prices of materials and supplies are not compensated for by the permanent increase in freight and mail pay rates.

(These calculations do not reflect the non-recurring items, such as charges in connection with the improvement program.)

(a) - 17½% of 1947 Freight revenue ($16,670,000 - $236,000)

(b) - 10% of 1947 Passenger revenue ($7,700,000)

(c) - 25% of 1947 Mail revenue ($514,000)

(d) - Applied to 1946 hours.

a e & Ex No 13

-13-

EXHIBIT 13

S.E.C. Reg.

FILED IN CLERK'S OFFICE
JAN 1 1 1949 :93
EDWIN H. WILLIAMS, Clerk

January 7, 1948.

VARIOUS PROPOSALS WITH REFERENCE TO CAPITAL STRUCTURES BY THE ST.JOE PAPER COMPANY AND RELATED INTERESTS.

1. Plan filed with Court February 5, 1941, which the Court refused to transmit to the Commission:

Equipment Trusts (as of September 1, 1940)	$ 1,358,000
First Mortgage Fixed Interest Bonds	12,000,000
Second Mortgage 3% Fixed Interest Bonds (to be purchased by the duPont estate)	3,000,000
Total Fixed Interest Obligations	$16,358,000
Income Bonds	9,000,000
Total Debt	$25,358,000
Common Stock	95,000 shares

2. Plan filed with Commission dated March 1, 1941, as follows:

Equipment Trusts (as of September 1, 1940)	$ 1,358,000
First Mortgage Fixed Interest Bonds	12,000,000
Income Bonds	9,000,000
Total Debt	$22,358,000

Common Stock authorized - 1,000,000 shares without par value. (Of the common stock authorized, 760,000 shares were to be issued and 240,000 shares to be retained as treasury stock.)

3. Petition for Modification to Commission's Plan of April 6, 1942, objecting to reduction in capitalization to $37,000,000 and apparently contending it should be around $38,000,000 and objecting also to reducing Income Bonds from $9,000,000 to $4,500,000.

4. Since October 5, 1943, after the Company had acquired control of the bonds, it has advocated a debt-free reorganization - no fixed interest bonds, no income bonds, no preferred stock, but all common stock with no increase in total capitalization over that proposed by the Commission.

Q. C & Ex no 14

-14

EXHIBIT 14
F. E. C. Ry. Co.
VS
FILED IN CLERK'S
JAN 11 19__
EDWIN R. WILLIAMS, Clerk

January 7, 1948

COMPARISON OF PLANS IN COMMISSION REPORTS

1. Original report (April 6, 1942)

Fixed interest bonds	$ 12,000,000
Contigent interest bonds	4,300,000
No-par stock	18,308,000
Additional bonds for improvements	6,000,000
Total	$ 41,008,000

2. Second Supplemental Report (January 8, 1945)

Contigent interest bonds	$ 20,250,000
Common stock	20,250,000
Total	$ 40,500,000

3. Examiner's Proposed Report (June 21, 1946)

Contigent interest bonds	$ 20,250,000
Common stock	20,250,000
Total	$ 40,500,000

4. Third Supplemental Report (April 8, 1947)
(from Atlantic Coast Line)

Cash	$ 4,125,000
Fixed interest bonds	13,500,000
Income bonds	7,875,000
Preferred stock	9,000,000
Common stock	6,000,000
Total	$ 40,500,000

D & S Exhibit 15
4827 Docket
EXHIBIT 15
T. & C. Ry. Co.
vs.
FILED
JAN 1 1 1949
Erwin R. Wilson, Clerk

January 7, 1948.

MINIMUM CAPITALIZATION PROPOSED
BY THE LYNCH INTERESTS
(Excluding Equipment Obligations)

First Mortgage Bonds	$12,000,000
Income Bonds, 4½%	12,000,000
Preferred Stock 5%	13,500,000
Common Stock (210,000 shares at stated value of $50.00 per share)	10,500,000
	$48,000,000

48'-7 12
16

FLORIDA EAST COAST RAILWAY COMPANY
Scott M. Loftin and John W. Martin, Trustees.

Statement of Addition and Betterment Charges-Years 1946-47 and 1948 (to October 31) (Other than Those Relating to Rehabilitation and Improvement Program) and Equipment Obligation Maturities for the Same Period.

(a) Addition and Betterment Charges, exluding those incident to Rehabilitation and Improvement Program contemplated in Commission's Report of April 8, 1947, as per sheets 2, 3 and 4:			
Calendar year 1946		$745,096.85	
Calendar year 1947		520,327.50	
10 Mos. Ended October 31, 1948		645.575.53	$1,910,999.88 (Details at Sheets 2,3 & 4)
(b) Payments on Equipment Obligations, exclusive of those contemplated in Rehabilitation and Improvement Program mentioned, as per sheet 5:			
Calendar year 1947			252,410.00 (Details at sheet 5)
Total - Items (a) and (b)			$2,163,409.88

FLORIDA EAST COAST RAILWAY COMPANY
Scott M. Loftin and John W. Martin, Trustees

Computation of Residue of Addition and Betterment Charges - Year 1946 - After Eliminating Such Charges Resulting from Rehabilitation and Improvement Program Provided for in I.C.C. Report of 4/8/1947

Item and Explanation	Addition and Betterment Charges			
	Road	Equipment	General	Total
Calendar Year 1946 - Book charges (1)	$1,495,135.00	$1,017,548.00	$ 6.00	$2,512,689.
Less:				
Amount owed at 12/31/46 on equipment charged to A&B during the year:				
Conditional Sales Agreement 3/15/1946	-	591,015.00	-	591,015.
Sub-total	$1,495,135.00	$ 426,533.00	$ 6.00	$1,921,674.
Less:				
A&B charges incident to work contemplated in Rehabilitation and Improvement Program provided for in Commission's Report of April 8, 1947:				
Fort Pierce Extension (1)	$ 680,459.00	$	$	$ 680,459.
New 112# Rail	121,462.07			121,462.
Bridges	612.00			612.
Shop Machinery	74,121.00			74,121.
Acquisition of 11 passenger-train cars under C.S.A. 3/15/46		299,923.08		299,923.
Total deductions	$ 876,654.07	$ 299,923.08	$ -	$1,176,577.
Residue of A&B Charges - Year 1946	$ 618,480.93	$ 126,609.92	$ 6.00	$ 745,096.

Notes:

(1) Source - Schedule 211 Annual Report to I.C.C. for year 1946.

(2) The amount of $299,923.08, plus outstanding equipment obligations of $591,015., or a total of $890,938.08, represents the aggregate amount charged additions and betterments in 1946 on account of these 11 cars.

FLORIDA EAST COAST RAILWAY COMPANY
Scott M. Loftin and John W. Martin, Trustees

ion of Residue of Addition and Betterment Charges - Year 1946 - After Eliminating Such Resulting from Rehabilitation and Improvement Program Provided for in I.C.C. Report of 4/8/1947

planation	Addition and Betterment Charges: Road	Equipment	General	Total	
Book charges (1)	$1,495,135.00	$1,017,548.00	$ 6.00	$2,512,689.00	
1/46 on equipment charged ear:					
Agreement 3/15/1946	-	591,015.00	-	591,015.00	(Balance due on 11 cars)
	$1,495,135.00	$ 426,533.00	$ 6.00	$1,921,674.00	
t to work contemplated in Improvement Program provided Report of April 8, 1947:					
sion (1)	$ 680,459.00	$	$	$ 680,459.00	
	121,462.07			121,462.07	
	612.00			612.00	
	74,121.00			74,121.00	
passenger-train cars under					
		299,923.08		299,923.08	
otions	$ 876,654.07	$ 299,923.08	$ -	$1,176,577.15	
s - Year 1946	$ 618,480.93	$ 126,609.92	$ 6.00	$ 745,096.85	

) Source - Schedule 211 Annual Report to I.C.C. for year 1946.
) The amount of $299,923.08, plus outstanding equipment obligations of $591,015., or a total of $890,938.08, represents the aggregate amount charged additions and betterments in 1946 on account of these 11 cars.

FLORIDA EAST COAST RAILWAY COMPANY
Scott M. Loftin and John W. Martin, Trustees

Computation of Residue of Addition and Betterment Charges - Year 1947 - After Eliminating Such Charges Resulting from Rehabilitation and Improvement Program Provided for in I.C.C. Report of 4/8/1947

Item and Explanation	Addition and Betterment Charges			
	Road	Equipment	General	Total
Calendar Year 1947 - Book charges (1)	$1,465,770.00	$1,963,374.00	$ -	$3,429,144.00
Less:				
Amount owed at 12/31/47 on equipment charged to A&B during the year:				
Conditional Sales Agreement 3/15/46		526,614.00		526,614.00 (Bal.due on 8 cars)
Conditional Sales Agreement 7/15/47		751,680.00		751,680.00 (Bal.due on 5 diesel
Sub-total	$1,465,770.00	$ 685,080.00	$ -	$2,150,850.00 locomotives)
Less:				
A&B charges incident to work contemplated in Rehabilitation and Improvement Program provided for in Commission's Report of April 8, 1947:				
Fort Pierce Extension (1)	$ 693,539.00			$ 693,539.00
New 112# Rail	304,510.88			304,510.88
Bridges	-			-
Shop Machinery	78,005.00			78,005.00
Acquisition of 8 passenger-train cars under C.S.A. 3/15/46 (2)		$ 291,459.05		291,459.05
Acquisition of 5 diesel locomotives under C.S.A. 7/15/47 (3)		262,963.47		262,963.47
Acquisition of 11 passenger-train cars under C.S.A. 3/15/46 (4)		45.10		45.10
Total deductions	$1,076,054.88	$ 554,467.62	$ -	$1,630,522.50
Residue of A&B Charges - Year 1947	$ 389,715.12	$ 130,612.38		$ 520,327.50

Notes:

(1) Source - Annual Report to I.C.C. for year 1947-Schedule 211.

(2) The amount of $291,459.05, plus outstanding equipment obligations of $526,614.00, or a total of $818,073.05, represents the aggregate amount charged to additions and betterments in 1947 on account of these 8 cars.

(3) The amount of $262,963.47, plus outstanding equipment obligations of $751,680.00, or a total of $1,014,643.47, represents the aggregate amount charged to additions and betterments in 1947 on account of these 5 Diesel locomotives.

(4) Delayed charge recorded in 1947.

FLORIDA EAST COAST RAILWAY COMPANY
Scott M. Loftin and John W. Martin, Trustees.

Computation of Residue of Addition and Betterment Charges-10 Months Ended October 31,1947-After Eliminating Such Charges Resulting from Rehabilitation and Improvement Program Provided for in I.C.C. Report of 4/8/1947.

Item and Explanation	Addition and Betterment Charges Road	Equipment	General	Total	
10 Months-1/1/48 to 10/31/48-Book charges (1)	$836,055.00	$181,632.00	$ -	$1,017,687.00	
Less:					
Balance owed at 10/31/48 on equipment charged to A&B during 10 Mos. ended 10/31/48:					
Conditional Sales Agreement 3/15/46	-	58,124.00	-	58,124.00	(Balance due on 1 car)
Sub-total	$836,055.00	$123,508.00	$ -	$ 959,563.00	
Less:					
A&B Charges incident to work contemplated in Rehabilitation and Improvement Program provided for in Commission's Report of April 8, 1947:					
New 112# Rail	$237,504.68			$ 237,504.68	
Shop Machinery	30,066.34			30,066.34	
Acquisition of 1 passenger-train car under C.S.A. 3/15/46 (2)		$ 44,795.22		44,795.22	
Acquisition of 5 Diesel locomotives under C.S.A. 7/15/47 (3)		425.79		425.79	
Acquisition of 11 passenger-train cars under C.S.A. 3/15/46 (3)		110.00		110.00	
Acquisition of 8 passenger-train cars under C.S.A. 3/15/46 (3)		1,085.44		1,085.44	
Total deductions	$267,571.02	$ 46,416.45	$ -	$ 313,987.47	
Residue of A&B Charges - 10 Mos. ended 10/31/48	$568,483.98	$ 77,091.55		$ 645,575.53	

Notes:
(1) Source - Cumulative report to I.C.C., form IBS, for October, 1948.
(2) The amount of $44,795.22, plus outstanding equipment obligations of $58,124.00, or a total of $102,919.22, represents the aggregate amount charged to additions and betterments in the first 10 months of 1948 on account of this car.
(3) Delayed charges recorded in 1948.

FLORIDA EAST COAST RAILWAY COMPANY
Scott M. Loftin and John W. Martin, Trustees.

Payments on Equipment Obligations-Years 1946-47 and 10 Months Ended 10/31/1948

Obligation	Payments Calendar Year 1946	Payments Calendar Year 1947	Payments 10 Mos. Ended 10-31-1948
F.E.C.Equipment Trust Certificates - Series "I" Maturities	$124,000.00	$ 124,000.00	$124,000.00
F.E.C.Equipment Trust Certificates - Series "J" Maturities	100,000.00	70,000.00	
Conditional Sales Agreement-3/15/1945 Maturities	196,948.86	275,801.26	118,096.46
Conditional Sales Agreement-3/15/1946 -			
Down payments	254,982.37	231,023.87	38,995.70
Maturities	43,245.00	153,584.00	139,190.00
Conditional Sales Agreement-7/15/1947 -			
Down payment		252,410.00	-
Maturities		-	-
Total	$719,176.23	$1,106,819.13	$420,282.16
Deduct: Payments contemplated in Rehabilitation and Improvement Program Provided for in Commission's Report of April 8, 1947:			
Equipment Trust "I"	$124,000.00	$ 124,000.00	$124,000.00
Equipment Trust "J"	100,000.00	70,000.00	-
Conditional Sales Agreement 3/15/1945	196,948.86	275,801.26	118,096.46
Conditional Sales Agreement 3/15/1946	298,227.37	384,607.87	178,185.70
Total	$719,176.23	$ 854,409.13	$420,282.16
Residue of payments	$ -	$ 252,410.00	$ -

ATLANTIC COAST LINE RAILROAD COMPANY

FLORIDA EAST COAST RAILWAY COMPANY

(Scott M. Loftin and John W. Martin, Trustees)

Net Railway Operating Income and Net Income for Periods Shown Appropriately Modified and Compared

	Calendar Year 1946		Calendar Year 1947		Ten Months 1948 (10/31)	
	ACL RR Co.	FEC Ry.Co.	ACL RR Co.	FEC Ry.Co.	ACL RR Co.	FEC Ry.Co.
(a) Net railway operating income per books of account	$5,016,954	$4,291,437	$3,049,642	$1,544,281	$4,117,417	$1,402,886
(b) Add:						
Adjustment to restore Federal income tax accruals for current year (1)	128,790	-	888,303	-	2,650,000	-
Deduct:						
Adjustment for Federal income tax credits applicable to prior years (1)	3,616,175	1,251,417	158,897	1,400,000	-	-
Adjustment to place cash maintenance expenditures of FEC at same percentage of FEC gross revenues as were corresponding ACL expenditures of ACL gross revenues (See Modification No.1,attached)		2,669,963		211,538		1,026,320
Adjustment to eliminate passenger revenue recorded on accrual basis as of December 31, 1947 (Practice inaugurated in July, 1947)	-	-	1,030,000	-	-	-
(c) Net railway operating income, as modified, before deduction for Federal income tax thereon	1,529,569	370,057	2,749,048	67,257(D)	6,767,417	376,566
(d) Deduct:						
Federal income tax @ 38% on excess of Item (c) over fixed charges: (2)	-	-	-	-	-	-
38% of $3,501,447, which is excess of $6,767,417 over fixed charges of $3,265,970	-	-	-	-	1,330,550	-
(e) Net railway operating income as modified after deduction of applicable Federal income taxes	1,529,569	370,057	2,749,048	67,257(D)	5,436,867	376,566
(f) Other income (Book figures) (4)	4,624,777	258,626	7,148,217	178,836	6,047,033	126,069
(g) Miscellaneous deductions from income(Book figures)	139,554	16,532	138,480	26,577	45,520	16,498
(h) Net total other income (Book figures)	4,485,223	242,094	7,009,737	152,259	6,001,513	109,571
Deduct:Federal income tax applicable						
Actually paid	128,790		781,416			
Accrued (3)					1,319,450	
(i) Residue of other income after Federal income taxes	4,356,433	242,094	6,228,321	152,259	4,682,063	109,571
(j) Income avilable for fixed charges-Item (e)plus Item (i)	5,886,002	612,151	8,977,369	85,002	10,118,930	486,137

(See Notes on Sheet 2)

NOTES:

(1) Source - Annual reports to I.C.C. for 1946 and 1947, monthly report to I.C.C., Form "M&E" for 10-month period.

(2) ACL fixed charges exceed net railway operating income, as modified, before Federal income taxes, except in 10-month period. Either present or proposed FEC fixed and contingent charges exceed net railway operating income, as adjusted, before Federal income taxes, in all periods.

(3) Represents residue of ACL total accrual for Federal income tax for 10-month period, amounting to $2,650,000, after assigning $1,330,550 of such total accrual to operating income, see Item (d)

(4) Includes ACL dividend income as follows:

1946	$3,083,424.44
1947	3,858,289.63
10 Months 1948	3,005,465.04

Modification No. 1

	1946	1947	10 Months 1948
1. ACL MofW&S Expenses - Book figures	$ 29,622,673	$ 26,592,605	$ 21,327,469
2. ACL MofE Expenses - Book figures	21,629,616	22,339,943	19,903,990
3. Total Maintenance - Book figures	$ 51,252,289	$ 48,932,548	$ 41,231,459
4. Deduct:			
Account 266, "Road property - Depreciation"	1,084,422	1,103,507	919,590
" 267, "Retirements - Road"	107,213	218,753	135,564
" 270½, "Road-Amortization of defense projects"	38,365	51,228	42,329
" 305, "Shop and Power Plant Machinery-Depreciation"	119,853	123,133	102,610
" 330, "Retirements - Equipment"	12,610(Cr.)	8,389(Cr.)	30,218 (Cr.)
" 331, "Equipment - Depreciation"	2,439,459	2,578,546	2,169,842
" 331½, "Equipment - Amortization of defense projects"	249,835	413,671	344,730
" 268, "Deferred Maintenance - Way and structures"	-	636,400(Cr.)	458,875 (Cr.)
Total deductions - non cash items	$ 4,026,537	$ 3,844,049	$ 3,225,572
5. Total maintenance after deductions	$ 47,225,752	$ 45,088,499	$ 38,005,887
6. ACL Railway operating revenues	$126,105,162	$128,429,923	$113,647,186
7. Percent - maintenance after deductions, of revenues	37.449%	35.107%	33.442%
8. FEC Railway operating revenues	$ 26,543,488	$ 27,054,334	$ 23,775,599
9. Apply ACL maintenance percents (Item 7) to FEC Revenues (Item 8)	$ 9,940,271	$ 9,497,965	$ 7,951,036
10. Add (FEC):			
Account 266, "Road property - Depreciation"	$ 442,546(1)	$ 448,260	$ 390,497
" 267, "Retirements - Road"	8,541	25,715(2)	9,795(Cr.)
" 270½, "Road-Amortization of defense projects	-	-	-
" 305, "Shop and power plant machinery- Depreciation"	33,570	34,955	32,773
" 330, "Retirements - Equipment"	-	-	-
" 331, "Equipment- Depreciation"	611,276	663,393	599,177
" 331½, "Equipment-Amortization of defense projects"	28,681	63,923	51,953
" 268, "Deferred maintenance -way and structures"	-	-	-
Total additions-non cash items	$ 1,124,614(1)	$ 1,236,246	$ 1,064,605
11. Total FEC maintenance reconstructed (Item 9 plus 10)	$ 11,064,885	$ 10,734,211	$ 9,015,641
12. Total FEC maintenance - Book figures:			
Maintenance of way and structures	$ 3,940,413	$ 5,641,448	$ 3,799,190
Maintenance of equipment	4,454,509	4,881,225	4,190,131
Total	$ 8,394,922	$ 10,522,673	$ 7,989,321
Modification (Item 11 minus Item 12)	$ 2,669,963	$ 211,538	$ 1,026,320

Notes:

(1) Increased $20,863 over book figures to eliminate credit in 1946 adjusting error in 1945.

(2) Book figure of $1,010,186 minus $984,471 relating to retirement of Okeechobee Branch.

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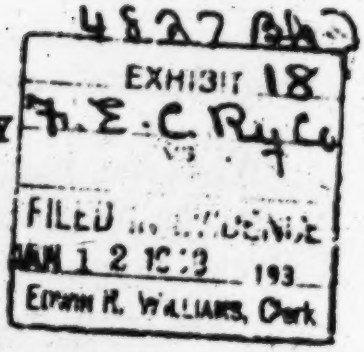

FLORIDA EAST COAST RAILWAY COMPANY REORGANIZATION

F. D. 13170

SUMMARY OF ARGUMENT IN BEHALF OF ATLANTIC COAST LINE RAILROAD COMPANY—JANUARY 7, 1948

The Commission's Report of April 8, 1947 correctly states the Commission's statutory duty:[1]

> "Under the statute we are charged with the dual duty of promulgating a plan which will be fair and equitable to the creditors and which will be compatible with the public interest."

This statement is based squarely on explicit provisions of Section 77 of the Bankruptcy Act and decisions of the Supreme Court. If the plan approved by the Commission be "compatible with the public interest" and "fair and equitable" to the creditors,[2] the Commission has discharged its statutory responsibilities.

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The Commission's Report also correctly says:[3]

> "In our informed judgment, we must determine the value of the property, and this value, expressed in terms of securities or cash, is distributed to the creditors in the order of their priority."

Some of the petitioners, particularly the St. Joe Paper Company, challenge this and say that there is no power to approve and carry out a plan against the wishes of the holders of a large majority in amount of the First and Refunding Bonds. On the argument on October 10, 1946 Mr. Patterson said:[4]

> "Property rights generally can be divested, as I understand it, only in one of three ways. One is by Government power of eminent domain, and the other is by purchase, or sale; and

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[1] Sheet 12.

[2] It is not contended that the stockholders have claims of any value.

[3] Sheet 12.

[4] Transcript, p. 4672.

third, as a result of some contract, or relationship created by law, such as would result in a judicial sale, or foreclosure sale, or what not.

"And so our position here is that our rights cannot be divested except in one of those customary methods."

What has happened since Mr. Patterson made that argument?

In the *New Haven* reorganization the property of the Old Colony Railroad Company,[5] subject to the lien of the Old Colony First Mortgage, has been transferred to the reorganized New Haven despite a 50.60% majority adverse vote of the Old Colony First Mortgage bondholders, who had exactly the same kind of interest in the Old Colony property which the St. Joe Paper Company has in the Florida East Coast. The Circuit Court of Appeals sustained the confirmation of the plan[6] and the Supreme Court thought that any question presented was so lacking in substance that it denied certiorari.[7]

In the *Rock Island* reorganization the way has been cleared,[8] by final judicial decisions, for the transfer to a new Rock Island corporation of property which is subject to the lien of the Little Rock & Hot Springs Western First Mortgage, despite an 80.62% adverse vote of the Little Rock bondholders. The Little Rock bondholders have the same interest in the property subject to their Mortgage as the Florida East Coast bondholders have in "their property", but despite their adverse vote the Circuit Court of Appeals approved and confirmed the plan[9] and the Supreme Court denied certiorari.[9]

In the *Central of Georgia* reorganization six classes of creditors failed to cast the statutory two-thirds vote in favor of the plan and a

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[5] A lessor-subsidiary, whose lease had been rejected.

[6] *Old Colony Bondholders* v. *New York, New Haven & H. R. R. Co.* (C. C. A. 2, 1947) 161 F. (2d) 413.

[7] *Protective Committee, etc.* v. *New York, New Haven & H. R. R. Co.* (1947) 67 S. Ct. 1754.

[8] *Chicago, Rock Island & Pacific Railway Company* v. *Fleming* (C. C. A. 7, 1946) 157 F. 2d, 241; *In Re Chicago, Rock Island & Pacific Ry. Co.* (C. C. A. 7, 1947) 160 F. 2d, 962. The argument in the Circuit Court of Appeals took place after the vote on the plan. It was pointed out that the Little Rock bondholders had voted to reject it. The Court said (157 F. (2d) 249): "It matters not that this group by vote has rejected the allocations it is to receive, for adequate provision has been made for these creditors." Consequently no appeal was taken by representatives of the Little Rock bondholders from the order confirming the plan. But unsuccessful appeals were taken by representatives of the Convertible Bonds, who had cast a 75.78% adverse vote and also by the Debtor, which purported to act on behalf of the various creditors as well as the stockholders, and which relied, among other things, on the adverse vote of the Little Rock bondholders.

[9] *The Chicago, Rock Island & Pacific Ry. Co.* v. *Fleming* (1946) 329 U. S. 780; *Harrison* v. *Fleming* (1946) 329 U. S. 780; *Axelrod* v. *Fleming* (1947) 67 S. Ct. 632; *Chase* v. *Cheston, Chicago Rock Island & Pacific Ry. Co.* v. *Metropolitan, Axelrod* v. *Fleming* (1947) 68 S. Ct. 21-25; rehearing denied, 68 S. Ct. 163.

jority of four classes voted to reject it, the adverse percentage ng 100% in the case of one small class. The most important class,[10] holders of the Consolidated Mortgage Bonds, cast a 50.93% adverse te and their legal interests, like those of other classes casting adverse tes, were indistinguishable from those of the Florida East Coast ndholders. As in the *Rock Island* case, the Alleghany Corporation posed confirmation, but the plan was confirmed by the District Court d no appeal was taken, so that it will be carried out shortly.

There cannot be the slightest question that under Section 77 of the nkruptcy Act the bondholders' "property", consisting of interests presented by mortgage bonds, can be taken from them over their jection in exchange for securities under a plan which is found to be air and equitable" as well as "compatible with the public interest."

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The dissenting expression refers to the danger of "prolonged igation."[11] Speculation about that is futile and outside the Comission's province. Threats by the St. Joe Paper Company to take e case to the Supreme Court seem hysterical, in the light of the preme Court's refusal to review the *New Haven* and the *Rock Island* ses. There is no reason to suppose that adherence by the Commison to its decision of April 8, 1947 is likely to cause any more proaged litigation than an approval of a plan for an independent reganization. A sound decision is the most effective help in shortening litigation

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The petitioners have referred to the "absolute priority" rule and is mentioned in the dissenting expression. The Commission's Reort says:[12]

> "The priority rule would be transgressed only where the security holder in the order of his priority fails to receive 'from that which is available for the satisfaction of his claim the equitable equivalent of the rights surrendered.' That does not occur here, for all of the securities to be issued by the Coast Line and all of the cash to be paid by the Coast Line will be delivered to the First and Refunding Bondholders and the junior creditors and stockholders will receive nothing."

he Commission thus correctly stated the "absolute priority" rule, hich requires only that whatever may be available for distribution

[10] In terms of the value of the allotments made under the plan.
[11] Sheet 92.
[12] Sheet 13.

be distributed in accordance with the priorities. And the Report correctly pointed out that under the plan the priorities would be respected as required by law. This subject is fully covered in the Coast Line's Reply at pages 25-31 and Appendix A thereto.

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The dissenting expression suggests that there should be "a public sale at which other bidders, including the bondholders of the debtor, have a chance to compete."[13] This suggestion is in line with one of the arguments advanced by the St. Joe Paper Company and it followed, at least in point of time, a similar suggestion made by Judge FRANK in his *dissenting* opinion in the *New Haven* case.[14] Judge FRANK's thesis, which purported to be based on the provision of Section 77 (b) relating to a sale "at not less than a fair upset price" was rejected by a majority of the Circuit Court of Appeals and the Supreme Court denied certiorari.[15]

A provision in a Florida East Coast plan of reorganization for a public sale would be utterly inconsistent with the purposes of Section 77 as declared by the Supreme Court. A "sale at not less than a fair upset price" has always been a mere mechanical device by which good title could be conveyed. Before the enactment of Section 77, and while doubts existed as to the power of the Commission and the Court to override objecting creditors, a provision for "a sale at not less than a fair upset price" was justified. The decisions in the *Denver, New Haven, Rock Island* and *Central of Georgia* make it clear that a good title can be conveyed in these proceedings whatever the vote may be. And the Coast Line's Reply demonstrates in detail at pages 41-71 and Appendix B thereto that any consideration of a public sale of the Florida East Coast would be anomalous.

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Some of the petitioners still challenge the Commission's power to approve a plan for a transfer of the Florida East Coast to the Atlantic Coast Line. Counsel for the St. Joe Paper Company say that the institution of the reorganization proceedings was the result of an agreement of certain creditors and they add:[16]

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[13] Sheet 92.

[14] *Old Colony Bondholders* v. *New York, New Haven & H. R. R. Co.* (C. C. A. 2, 1947) 161 F. (2d) 413, 431-452.

[15] *Protective Committee, etc.* v. *New York, New Haven & H. R. R. Co.* (1947) 67 S. Ct. 1754.

[16] Supplement of July 18, 1947, p. 16.

"We can be sure that neither group of creditors nor any other creditor could have conceived of a possibility that by filing the petition, they were conferring upon the Commission power to transfer the assets of the Florida East Coast Railway to another corporation, so long as a reorganization could be effected."

Whatever anyone thought when the proceedings were instituted, the powers and duties of the Commission and the Court are statutory. They are not affected by agreements, understandings or suggestions. There is precisely the same statutory power to approve the unification of the Florida East Coast and the Atlantic Coast Line as there was to approve the unification of the Alton and the G. M. & O. That power is derived from explicit statutory provisions, as is shown in the Coast Line's Reply at pages 31-41.

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The plan should be "fair and equitable" to the holders of the First and Refunding Mortgage Bonds. The holders of a majority *in amount* oppose the Commission's plan. A large majority *in numbers* of those who have expressed themselves favor it.[17] These facts are significant if and to the extent—but only if and to the extent—that they help the Commission to decide what is "fair and equitable."

The majority in amount who oppose the plan consist principally of the St. Joe Paper Company (the du Pont Trust) and those whose position is presumably dictated by Mr. Ball, the dominant du Pont Trustee,[18] including Mr. Claughton and his associates.[19]

These facts are incontrovertible:

Mr. Ball is the dominant Trustee of the du Pont Trust.

The du Pont Trust is predominantly charitable, created for the benefit of a charitable Delaware corporation which is to care for "crippled children, not incurable, and the care of old men and women, first consideration to be given to residents of Delaware."[20]

The du Pont Trust and its subsidiary, the St. Joe Paper Company, hold $25,100,000 of the Bonds, on which it could make a profit of at least $14,600,000 and probably much more under the Commission's plan.[21]

Mr. Ball not only opposes the Commission's plan; he has announced his relentless determination to oppose any plan for the unifi-

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[17] See Coast Line Reply of July 29, 1947, p. 1.

[18] See Coast Line Exceptions and Brief of August 20, 1946, Appendix B, p. 122-127.

[19] Transcript, p. 4755-4758.

[20] Report, Sheet 19.

[21] See Appendix A to this Summary.

cation of the Florida East Coast and the Atlantic Coast Line, no matter how favorable financially to the du Pont Trust.

Mr. Ball's decision to oppose any unification plan cannot be attributed to his concern for the public interest, whatever he may say to the people of Florida. He is the Trustee of a Delaware charitable trust, created under a will which says nothing about Florida. Furthermore, the Commission, not Mr. Ball, determines what is in the public interest.

Nor can Mr. Ball's decision be due to a desire to reap financial benefits for the charitable trust. He opposes any unification plan, no matter how favorable to the beneficiaries of his trust. He opposes the Commission's plan, liberal as it is to the F. E. C. bondholders, at a time when the F. E. C. earnings are far less than either the Commission's forecast or his own—and he opposes it as vigorously as he opposed the less liberal Coast Line plan at a time of great F. E. C. prosperity.

Mr. Ball's opposition to the Commission's plan does not help the Commission to decide what is "fair and equitable." His reasons for opposing the plan are obviously not those of an ordinary bondholder, who seeks the best possible realization on his investment. On the other hand, a large majority in numbers of the ordinary bondholders have spoken, through their Committee, in favor of the plan.

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Mr. Ball's extraordinary position illuminates both aspects of this case—the treatment of the creditors and the public interest.

Assistant Director Boles' proposed report in the Young-New York Central proceeding[32] says that:[33]

> "As trustees of the Chesapeake & Ohio stockholders the applicants have shown a willingness to take great risks with the company's funds, speculating on their ability to get on the New York Central's board by persuading the Commission to overthrow all its precedents, and further speculating on their opinion that they can do a better job running the New York Central than can its present management."

and that:[34]

> "There is much in the record to indicate that purchase of the New York Central stock was made for the purpose of indulg-

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[32] F. D. 14682; F. D. 11923, Sub. No.-2; F. D. 6281, Sub.-No. 6.
[33] Sheet 31.
[34] Sheet 31, Note 26.

ing a hobby of applicant Young and for the further purpose of satisfying his personal ambition 'to be in the New York Central'; • • •"

Did not Mr. Ball speculate with charitable trust funds to buy the orida East Coast Bonds? Having made a brilliantly successful eculation, is he not now speculating even more rashly when he re- es to take a profit of $14,600,000 or more?

"Hobby" would be too mild a characterization of Mr. Ball's wish control the Florida East Coast and "ambition" is hardly adequate. e is obviously obsessed with a desire to control the road. Otherwise would not be so completely insensitive to his duties as a Trustee a charitable trust.

The quotations from Assistant Director Boles' proposed report e particularly appropriate, because Mr. Ball and Mr. Young have ade common cause—first in an unsuccessful effort to obtain control the Atlantic Coast Line [35] and then in sponsoring in this proceeding n absurd statistical comparison of the Florida East Coast and the tlantic Coast Line.[36]

The only explanation of Mr. Ball's purpose which would have any elation to his duties as a Trustee would be that his control of the oad would help other investments of the du Pont Trust,[37] the ramifi- ations of which were set forth in Senator Pepper's brief and are ummarized in the Report.[38] If a combination of the railroad with he other du Pont interests would create values not separately pos- essed by the units in the combination, such a combination might serve he interests of the du Pont Trust and Mr. Ball's effort to bring it about might be consistent with his responsibilities as a Trustee. But Mr. Ball cannot advance that explanation of his position, as it would involve an admission that he was attempting to bring about a com- bination which would not be "compatible with the public interest."

In any case, it would be too charitable to assume that Mr. Ball is actuated by any sense of duty to his trust. The record reveals that he has an inner drive for personal power which he seeks to achieve by the use of charitable trust funds and by propaganda circulated with a stark disregard for facts.[38a]

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[35] Transcript, p. 3635-3638, Ex. 239.
[36] Coast Line Brief of August 20, 1946, Appendix B, p. 162-165.
[37] Brief of August 20, 1946, p. 10-45.
[38] Sheets 19-23.
[38a] Coast Line Brief of August 20, 1946, Appendix B, p. 111-117.

Under ordinary circumstances personalities are not material in a railroad reorganization case. But the power which Mr. Ball now wields and his urge to expand his powers are the only possible explanation of the failure of the Commission's plan to be welcomed by a great majority in amount of the Florida East Coast bondholders.

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The plan is clearly fair and equitable. Indeed, it is liberal. In such a case there is always a top limit and a bottom limit on what can reasonably be allotted. The Commission has provided for the Florida East Coast bondholders substantially more than the Coast Line offered. It did not exceed the top limit which the Coast Line can afford to pay in order to acquire the Florida East Coast, but it far exceeded the bottom limit which the bondholders could afford to accept rather than to have a separate reorganization.

That much was shown, as of July 29, 1947, in the Coast Line's Reply.[29] Schedule C attached to that Reply compared the effect on a Florida East Coast bondholder of the Commission's plan and the alternative "independent" plan, based on actual figures for the twelve months ended May 31, 1947. Submitted herewith in Appendix B is Schedule C2 covering the twelve months ended October 31, 1947, the last twelve months for which figures were available when this Summary of Argument was being prepared. No doubt the hurricane in September and October affected the Florida East Coast to a somewhat greater extent than it did the Atlantic Coast Line and it can be argued that Schedule C2 does not present a fair test of the two plans for that reason. However, the 1947 hurricane was not the first which has affected the Florida East Coast and the figures in Schedule C were not affected by a hurricane. The two schedules taken together are a convincing demonstration that even if the superior quality of the Coast Line's securities were disregarded, the greater value given the Florida East Coast bondholders under the Coast Line plan would still be strikingly more evident as the months go by. The concern which the Commission expressed in its Report of January 8, 1945[30] as to the future of the Florida East Coast as an independent carrier has been amply justified by the record of earnings since the Commission issued its Report of April 8, 1947.

The St. Joe Paper Company never indulged in optimistic proph-

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[29] P. 71-99, 101-116.

[30] 261 I. C. C. 151, 162-163.

ecies as to the future of an independent Florida East Coast. Its forecast of earnings was less than that of the Commission.[11] But others have, and their prophecies have been belied not only by the present record but by the opinions expressed on behalf of the Florida East Coast management. Just as in the *Florida East Coast Divisions* case, (1939) 235 I. C. C. 211 the Florida East Coast applied for favorable divisions because of its inherent weakness, so in *Atlantic Coast Line Railroad Company Construction*, F. D. 15335, decided August 25, 1947, the Florida East Coast plead for help.

In the *Florida East Coast Divisions* case the Commission pointed out (235 I. C. C. 220) that

> "• • • the Florida East Coast handles but little overhead traffic of any kind—its services are principally those of an originating or terminating carrier. In 1935, of its total revenue tonnage, 98.4 percent originated or terminated on its line."

It is extremely vulnerable to competition (*id.*):

> "The Florida East Coast stresses the fact that although it was the pioneer carrier in Florida and did much to develop the eastern part of the State in the early years, it has since had to meet severe competition not only from other rail lines but from water carriers as well."

The Commission emphasized that the F. E. C. is particularly dependent upon perishable traffic and has "an unbalanced flow of traffic" (235 I. C. C. 222):

> "The shipping season for this perishable traffic extends from October to the following May or June, and during this period the height of the passenger business also occurs. This situation results in a skeletonized personnel during the summer, and a fully manned organization during the winter and spring. Not only is there this lack of balance during the year, but there is also an unbalanced flow of traffic, the southbound tonnage generally predominating when the north-bound traffic is at its ebb. These conditions, it is contended, add substantially to normal operating and handling costs. In fact, the nature of the traffic handled by the Florida East Coast is such that it results in an unusual haulage of empty equipment. Its south-bound tonnage consists mainly of lumber, crate material, fertilizer, building materials, meats and packing-house products, petroleum products in tank cars, and rock in gondola cars for road-

[11] 261 I. C. C. 151, 160.

building purposes. There is little north-bound traffic that can be transported in this equipment, this north-bound traffic consisting mainly of fruits and vegetables for which it is necessary to bring in refrigerator cars and ventilated boxcars."

As a result of the plea made by the Florida East Coast more favorable divisions were granted to it at the expense of the three trunk line carriers. But the Receivers were not satisfied and in 1940 they filed a petition for a further hearing in which they said (p. 4, 14):

"For the year 1939 the F. E. C. failed to meet its fixed charges by $2,091,031.84. This was not an unusual or exceptional year. It was typical.

• • • •

More vegetable traffic is being diverted from the F. E. C. to motor vehicles and water carriers during the current 1939-1940 season than it was in any previous season. In addition, Florida has experienced more frosts and freezing temperatures, and more continuous days of cold weather in January 1940 than in any previously recorded year. Continued freezing weather and frosts have caused untold damage to and destruction of Florida fruits and vegetables. The loss of this traffic will affect the F. E. C.'s freight-revenue very seriously, and far more seriously than that of any other Class-I railroad."

The *Atlantic Coast Line Railroad Company Construction* case, which was decided four months after the Commission's Report of April 8, 1947 in this proceeding, involved the construction by the Coast Line of a branch line which was opposed by the Florida East Coast on the ground that the construction would result in the diversion of some of the latter's vegetable traffic. On the oral argument on July 8, 1947 counsel for the Florida East Coast said:[22]

"If the Coast Line comes in and takes away some of our revenue, then we are going to be in terrible shape. We are in bad shape now."

And Division 4 said in its Report dated August 25, 1947:

"Among other things, it is shown that the East Coast is a bankrupt carrier struggling to survive. The decline of the East Coast from a once prosperous carrier to its present status is attributed to competition by other lines of railroad in Florida and by steamship lines reaching Miami and other coastal points served by that carrier."

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[22] Record, p. 626-627.

Since the Commission's plan is "fair and equitable" and beyond peradventure of doubt far more favorable to the Florida East Coast bondholders *as a class* than any plan for an independent reorganization, approval of a plan for an independent reorganization would not meet the statutory standards in the absence of an explicit finding that it would not be "compatible with the public interest" for the Coast Line to control the Florida East Coast. If both a unification plan and a plan for an independent reorganization were compatible with the public interest, the Commission would be bound to approve that plan which most satisfactorily met the statutory requirement that the plan be "fair and equitable." It follows that the Commission should adhere to its approval of the unification plan unless on further consideration it finds that the unification plan would not be "compatible with the public interest" and that a plan for an independent reorganization, with control lodged in Mr. Ball, would be "compatible with the public interest." The Commission's Report of April 8, 1947 contains explicit findings to the contrary on both points and no Commissioner found that a unification plan would not be "compatible with the public interest."

Furthermore, the Report supports the view that six members of the Commission reached the conclusion that a plan for an independent reorganization, resulting in control by the du Pont Trust and Mr. Ball, would not be "compatible with the public interest."

Since such a conclusion precludes approval of such a plan and requires the adoption of a unification plan, if "fair and equitable," it might seem more logical for the present argument on behalf of the Coast Line to lay more emphasis on the public interest aspects of the case. The reason why that course has not been followed is that the public interest aspects of the case have received the greatest amount of attention in the evidence, on the argument and in most of the briefs. Indeed, despite the clear statement in the Commission's Report of its "dual responsibility," there may be some residual thought that the Coast Line is "a stranger seeking to acquire"[22] and that hence it must rest its whole case on the ground that it is incompatible with the public interest to have an independent reorganization, with resultant control by the du Pont Trust and Mr. Ball. But the fact is that the Commission's plan for a unification of the two roads is far more favorable to a Florida East Coast bondholder than any possible plan for an independent reorganization and that the Coast Line need not rest its whole

[22] Sheet 91.

case on the ground that an independent reorganization would be "incompatible with the public interest."

However, the record establishes affirmatively that the public interest would be served by a unification of the two roads and that an independent reorganization, with resultant control by the du Pont Trust and Mr. Ball, would be seriously prejudicial to the public interest.

The affirmative showing of the advantages of a unification was discussed at considerable length in the Report.[34] Many of the statements in the Report were taken from Examiner Jewell's proposed report and, if anything, they underestimate the positive advantages of a unification. As pointed out in the Exceptions to Examiner Jewell's proposed report, the Examiner entertained serious doubts as to the Commission's power and those doubts may be presumed to have affected his views on all aspects of the case.

The grave public dangers of an independent reorganization, with resultant control by the du Pont Trust and Mr. Ball, were fully developed in Senator Pepper's Exceptions and Brief and in the Report.[34]

The outstanding facts are these:

The Atlantic Coast Line and the Florida East Coast are railroads and an end-to-end unification of two such railroads may be expected, in the light of past experience and the record, to prove beneficial to the public interest, particularly since one of the two is strong and the other is weak.

The du Pont Trust is predominantly a Delaware charitable trust, which was created under a will containing no suggestion that the funds of such a Delaware charitable trust were to be used to develop such a combination of interests in the State of Florida as Mr. Ball has developed and is seeking to expand. If an independent reorganization resulting in control by the du Pont Trust were approved, the fate of the Florida East Coast would then depend upon what the Trustees of the du Pont Trust would do. If the Trustees were faithful to their trust, the interests of the Trust would be paramount. The promises which Mr. Ball now makes may sound well, but they will all be found to be carefully hedged.[35]

The Report says:[36]

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[34] Sheets 23-51, 88-90.

[35] Transcript, p. 3457-3459, 3510-3511, 3536-3538.

[36] Sheet 21.

"The Coast Line also seriously questions the right or propriety of the trustees under the duPont trust (which is a charitable trust) to invest its trust funds in this railroad property. While we do not feel called upon to construe the provisions of the will creating the trust, we should ordinarily scrutinize very carefully, from the standpoint of compatibility with the public interest, the qualifications of a charitable trust to manage and operate a large railroad property."

The Coast Line does question the right or propriety of the Trustees of the du Pont Trust to invest its trust funds in the Florida East Coast, but, since the investment has proved to be spectacularly successful, questions as to the original investment may be academic unless they be considered with other questions.

Much to the point is the inquiry as to why the Trustees of the du Pont Trust, under Mr. Ball's dominance, are unwilling to realize an enormous profit for the benefit of the Trust by permitting a unification of the two roads. Mr. Ball's announced position, which can be explained only by his craving for power, is that, no matter what the profits to the Trust might be, he would oppose any unification plan.

Also very much to the point is the question as to what would happen five or ten years from now if substantial additional capital investments in the Florida East Coast should be needed. Would the Trustees of the du Pont Trust, whoever they might then be, use funds from the Trust for the necessary capital expenditures?

Also important is the point made in the Report that the du Pont Trust is not to be presumed to be qualified to manage and operate a large railroad property. It was not created for that purpose, the Trustees were not selected with any such program in mind, and there is nothing in the record to indicate that control of the railroad could safely be lodged in the du Pont Trustees. In the event of Mr. Ball's death he would be succeeded by Dr. Frank Gaines, President for many years of Washington and Lee University at Lexington, Virginia, who has had no experience whatever in the operation of a railroad and would in all probability not care to have such a responsibility thrust upon him.

The Commission will make no error if it finds that the answers to the two issues in this case relating to the public interest and the fairness of the plan will be found in the story of the du Pont Trust and the Florida East Coast. That story would not be credible if it were not established of record.

A recent article in the Saturday Evening Post[87] described the Girard Trust, which is said now to total $90,000,000 and was created by Stephen Girard to establish a school for "poor white orphans," now Girard College in Philadelphia, on the condition that "first priority for admission should go to applicants born in Philadelphia."[88][89] If the Trustees of the Girard Trust had stepped out and bought a majority of the bonds of the Central of Georgia during the reorganization of that railroad and had then resisted an advantageous proposal for a unification of the Central of Georgia with the Coast Line or the Seaboard because the principal Trustee of the Girard Trust wanted to run the railroad, that would have seemed so fantastic as to be incredible. Yet that is what has happened in the case of the du Pont Trust and the Florida East Coast. If it does not seem fantastic, it is only because the whole story was not brought out until the proceedings were reopened in 1945 and, in the meantime, the idea of control of the Florida East Coast by the du Pont Trust had become somewhat familiar.

The Commission has not felt "called upon to construe the provisions of the will creating the trust", but it has correctly stated the purposes of the Trust. There can be no question that, whatever the technical powers of the du Pont Trustees, Mr. Ball's insistence on control of the Florida East Coast constitutes an indefensible disregard of the purposes of the Trust. As has already been indicated, the character of the du Pont Trust and Mr. Ball's disregard of his obligations as a Trustee are the key to this whole case: they establish that the reorganization plan which he supports would not be "compatible with the public interest" and they explain why he resists a plan which would be "compatible with the public interest" and far more beneficial to the du Pont Trust than the plan which he supports.

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The petitions for modification of the order of April 8, 1947 should be denied.

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[87] December 13, 1947.
[88] P. 31.
[89] P. 54.

FLORIDA EAST COAST RAILWAY COMPANY
REORGANIZATION
F. D. 13170

SUMMARY OF ARGUMENT IN BEHALF OF ATLANTIC COAST LINE RAILROAD COMPANY—JANUARY 7, 1948

APPENDIX A

THE PROFITS WHICH THE DU PONT TRUST AND THE ST. JOE PAPER COMPANY WOULD REALIZE UNDER THE COMMISSION'S PLAN

The St. Joe Paper Company holds $25,000,000 of Florida East Coast First and Refunding Mortgage Bonds and the du Pont Trust $100,000, a total of $25,100,000.[1] The St. Joe Paper Company vigorously resisted all efforts to have the record show the net cost of its Bonds, even going so far as to disregard a suggestion, amounting almost to a direction, made by Director Sweet on May 3, 1944, and a similar suggestion made by presiding Examiner Boyden on November 26, 1945,[2] that the cost be divulged. Consequently it is impossible to state exactly the present net cost of the Bonds.

However, the record contains abundant support for the statement that under the Commission's plan, based on market conditions as of December 19, 1947, the St. Joe Paper Company and the Trust would realize *minimum* net profits of at least $14,600,000, and that the profits would probably be far more.

The Cost of the Bonds: $3,500,000 of the Bonds were acquired ($3,400,000 by Florida National Building Corporation, which was later merged into the St. Joe Paper Company, and $100,000 by the Trust) in the period immediately preceding the hearing held on April 21, 1941 in order to give the du Pont Trust an important interest in the bond issue.[3] The highest price reached by the Bonds over the period from January 1, 1940 to April 21, 1941 was 11¼.[4] Even assuming that price was paid for the $3,500,000 of Bonds, their total cost was only $393,750.

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[1] Transcript, p. 3454.
[2] Coast Line Brief of August 20, 1946, Appendix B, p. 108-110.
[3] Transcript, p. 666-667.
[4] The Commercial & Financial Chronicle, Vol. 152, p. 2670.

Apparently $10,000,000, and perhaps more, were purchased in or about the month of September 1942 from the Deposit Committee's depositors and from the New York Life Insurance Company at 16½, or a total cost of $1,650,000.[6]

$5,748,000 were purchased from undisclosed sources between April 21, 1941 and September 15, 1942, as on the latter date the Florida National Building Corporation filed a petition in the District Court stating that it was the owner of $19,148,000 of the Bonds.[6] The highest market price to September 15, 1942, was 15⅞.[7] However, it will be assumed for present purposes that the $5,748,000 of Bonds may have been purchased off the market at the same price as was being paid for the others, 16½, which would make the cost $948,420.

$4,091,000 were acquired by the St. Joe Paper Company between April 21, 1941 and September 29, 1942 and an additional $16,000 by Florida National Building Corporation by the latter date.[8] The highest market price to that date was 18½[9]; at that price the $4,107,000 would have cost $759,795.

$1,745,000 remain unaccounted for. Mr. Ball testified that only twenty of the Bonds cost as much as 70.[10] Even if 70 had been paid for all of the $1,745,000 of Bonds not accounted for, the cost would have been only $1,221,500.

The total of the foregoing cost figures, most of which are *maximum* rather than actual figures, is $4,973,465, or a *maximum* gross cost of $198.14 per $1,000 Bond.

Three interest coupons, or $75 a Bond, were paid between October 22, 1942 and June 10, 1943,[11] during which time the Florida National Building Corporation, the St. Joe Paper Company and the du Pont Trust had a total of *at least* $23,355,000 of Bonds, as shown above, and an additional $25 per Bond was paid in 1947, when the holdings totalled $25,100,000. The aggregate payments were thus *at least* $2,379,125, reducing the average cost of the $25,100,000 by *at least* $94.78 a Bond.

It follows that the record establishes that the present net cost of the $25,100,000 of Bonds is not more than $103.36 a Bond, as shown by the following table:

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[6] Transcript, p. 3511-3516, Ex. 252, 253.
[6] Court Record, Vol. 2, p. 299.
[7] The Commercial & Financial Chronicle, Vol. 156, p. 1030.
[8] Court Record, Vol. 2, p. 313.
[9] Bank and Quotation Record, Vol. 15, No. 10, p. 8.
[10] Transcript, p. 4157-4158.
[11] Court Record, Vol. 2, p. 317-318, 589-590, 739-740; Order of July 30, 1947, Document 596.

Maximum Gross Cost

$ 3,500,000	@	11¼	$ 393,750
10,000,000	@	16½	1,650,000
5,748,000	@	16½	948,420
4,107,000	@	18½	759,795
1,745,000	@	70	1,221,500
$25,100,000	@	198.14	$4,973,465

Minimum Interest Payments

1942-1943 (minimum)			$1,751,625
1947			627,500
$25,100,000	@	94.78	$2,379,125

Maximum Net Cost

$25,100,000	@	103.36	$2,594,340

There can be no doubt that this table substantially overstates the actual present net cost of the Bonds. It will be observed that it assumes an average gross cost of $198.14 a Bond, whereas the record indicates that all except $1,745,000 of the entire $25,100,000 were bought for less than that, much the largest part being bought for substantially less. Throughout the calculations the highest possible prices have been assumed, especially in the case of the $1,745,000, which are assumed to have cost an average of 70, although they were bought over a period during most of which the price was much lower.

The present net cost of the Bonds will be further reduced by cash payments from the Estate in respect of (1) excess undistributed cash as of December 31, 1945, (2) earnings since December 31, 1945 and (3) any savings realized in connection with the tax settlement. The first item was estimated in the Report[19] at $1,289,190, but the $1,125,000 interest payment made in 1947 should be deducted from it. The second item is substantial and the present prospects are that the third item will be also. Indeed, there is every reason to suppose that the cash distributions from the Estate will exceed the actual present net cost of the $25,100,000 of Bonds, giving the du Pont Trust and its subsidiary the St. Joe Paper Company a minus net cost figure.

The Market Value of the Allotments under the Commission Plan: The following are suggested as *conservative* market valuations of the

[19] Sheet 66.

allotments under the Commission's Plan, based on market conditions as of December 19, 1947:

	Allotment per $1,000 Bond	*Market Valuation*	*Net*
Cash	$ 91.67		$ 91.67
First Mortgage Bonds	300.00	90[13]	270.00
Income Bonds	175.00	70[14]	122.50
Preferred Stock	200.00	70[15]	140.00
Common Stock	133.33	48[16]	64.00
			$688.17

The Commission can judge for itself whether these prices are not conservative, based on market conditions on December 19, 1947, when this Appendix was prepared.

The Minimum Profit: Thus, (1) using *maximum* figures for cost, (2) allowing *nothing* for the cash payable from the Estate and (3) using *conservative* market valuations for the Coast Line securities allocated under the Plan, the *minimum* profit is found to be $584.81 per Bond or a total, for $25,100,000, of $14,678,727.

The *minimum* profit can thus be estimated as approximately 300% of the initial investment. The reasonable inference is that actually it would be 500% or more, as the actual cost figures were undoubtedly much less than the maximum cost figures given above.

Furthermore, there can be little doubt that the cash payable by the Coast Line under the Plan, plus that payable from the Estate, will substantially exceed the entire net cost of the Bonds and that all the securities allotted, having a face value of $20,289,083, will be clear profit.

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[13] A very high grade divisional mortgage bond, which would undoubtedly have sold at a premium a year ago.

[14] The total contingent interest would be only $334,687.50, following relatively small fixed charges.

[15] Cumulative and participating; small in amount and preceded by relatively small charges.

[16] Closing price on December 19, 1947 was 49¾.

FLORIDA EAST COAST RAILWAY COMPANY REORGANIZATION

F. D. 13170

SUMMARY OF ARGUMENT IN BEHALF OF ATLANTIC COAST LINE RAILROAD COMPANY—JANUARY 7, 1948

APPENDIX B

Attached hereto is Schedule C2, referred to at page 8 of the Summary of Argument. It is modeled on Schedule C, which will be found at pages 111-115 of the Coast Line's Reply of July 29, 1947. Schedule C is explained at pages 71-74 of that Reply.

The purpose of the two Schedules is to test, to the extent practicable and subject to the important qualifications hereinafter mentioned, the relative treatment of the Florida East Coast First and Refunding Mortgage Bonds under the Commission's plan and under a plan for an independent reorganization such as was approved in the Report of January 8, 1945.

Schedule C was based on the figures for the 12 months ended May 31, 1947, which were the most recent figures available when the Reply of July 29, 1947 was prepared. Schedule C2 is based on figures for the twelve months ended October 31, 1947, the most recent figures available when the Summary of Argument was prepared. There was a hurricane in Florida near the end of September and in early October, and no doubt the hurricane affected the earnings of the Florida East Coast to a somewhat greater extent than it did those of the Coast Line. However, that was not the first hurricane which Florida has suffered and Schedule C to the Coast Line's Reply, which was based on the twelve months ended May 31, 1947, covers a period in which there was no hurricane.

In Schedule C2 three adjustments have been made in the reported income accounts. *All three adjustments improve the showing of the alternative independent reorganization.* They are as follows:

A Coast Line passenger revenue credit of $800,000, applicable to prior years, has been eliminated.

A credit to the Coast Line's operating expenses of $278,000, which was made in October 1947, has been eliminated.

Charges made by the Florida East Coast to operating expenses in each month commencing May 1, 1947, of approximately $140,000 a month, in connection with the retirement of the Okeechobee Branch have been eliminated.

As explained in the Coast Line's Reply of July 29, 1947 at pages 71-74, the Schedules are modeled on certain calculations made in Examiner Jewell's proposed report and in the Commission's Report (Sheets 54-55) and they test the effect of the two plans only by comparing the returns on the securities distributable under the Commission's plan with the returns on the securities which would be distributable under the alternative plan for an independent reorganization. Thus they do not take into account important benefits which the bondholders would have under the Commission's plan:

1. Under the plan approved by the Commission the Atlantic Coast Line would contribute $4,125,000 in cash. **The Schedules do not take into account the Coast Line's $4,125,000 cash contribution at all.**

2. The Schedules do not adequately reflect the superior attributes of the securities provided for in the Commission's plan. For example under the Commission's plan an F. E. C. bondholder would receive $300 in 3½% First Mortgage Bonds, on which he would be paid $10.50 in interest in twelve months. The alternative independent plan would not provide for any First Mortgage Bonds and 4½% Income Bonds would be substituted therefor on which an F. E. C. bondholder would be entitled to receive $13.50, if the income was earned. In each 12-month period to which the Schedules relate interest on the Income Bonds would have been earned, so that the Schedules show an F. E. C. bondholder receiving less return on the $300 of First Mortgage Bonds than he would have received on the same amount of Income Bonds. Yet there is not the slightest question that the First Mortgage Bonds would be worth more than the Income Bonds. And there are, of course, other important respects in which the superior attributes of the securities allotted under the plan are not reflected—because they cannot be reflected—in schedules of that kind.

SCHEDULE C2

For Explanation See Reply of Atlantic Coast Line Railroad Company to Petitions for Modifications, dated July 29, 1947, pages 71-74.

	Twelve Months Ended Oct. 31, 1947	
	A.C.L. & F.E.C. Consolidated and Adjusted	F.E.C. Independently Reorganized
Railway Operating Revenues (See Note 1)	$154,803,021	$27,219,758
Railway Operating Expenses (See Note 2)	135,086,553	22,254,849
Net Railway from Railway Operations ..	$ 19,716,468	$ 4,964,909
Equipment and Joint Facility Rents— Net Debit ..... (Reported)	3,643,227	1,262,105
Railway Tax Accruals:		
Other than Federal Income .. (Reported)	10,803,267	1,915,882
Federal Income (Estimated—See Note 3)	1,430,905	363,034
Net Railway Operating Income	$ 3,839,069	$ 1,423,888
Other Income ..... (Reported)	6,795,764	167,847
Miscellaneous Deductions from Income .... (Reported)	155,862	31,460
Income Available for Fixed Charges	$ 10,478,971	$ 1,560,275
Fixed and Contingent Charges: (See Note 4)		
ACL (Reported, plus $807,188 for proposed additional securities)	4,949,400	
FEC (Estimated)		967,956
Income after Fixed and Contingent Charges	$ 5,529,571	$ 592,319
Less: Dividends on 1,596 shares (1/1/47) Old Preferred Stock	7,980	
Income Available for New Preferred and Common Stock	$ 5,521,591	
Average per Share of Stock:		
973,427 shares	$ 5.67	
202,500 shares		$ 2.93

SCHEDULE C2

Notes:

(1) Railway operating revenues (consolidated only) decreased $800,000 to elimin effect of ACL change in accounting practice, as a result of which passenger revenue ear on tickets sold by foreign roads has been entered currently on an estimated basis, effecti with July, 1947, accounts, instead of being entered in the month following the one in whi earned. This change in practice caused the total passenger revenue figure (ACL) to inclu earnings on foreign road sales for 11 months, instead of 10 months, and the adjustme eliminates the extra month.

(2) Railway Operating Expenses in both cases represent amounts reported less de of $854,556 reported by F.E.C. May through October, 1947, account retirement of Okeechob Branch. In the consolidated set up there has been eliminated a credit of $278,000 report in October, 1947, by the A.C.L. as deferred maintenance.

(3) Federal Income taxes for consolidated set up approximated at 38% of income aft fixed and contingent charges before deduction of Federal Income taxes, but excluding 85 of A.C.L. dividend income of $3,758,745, or $3,194,936, as non-taxable. For F.E.C. ind pendent reorganization, the computation is made at 38% of income after charges befo deduction for Federal income taxes.

(4) Fixed and contingent charges for the consolidated set up include reported A.C.L. charges, including equipments, plus charges of $807,188 applicable to additional securitie it is proposed to issue, and estimate of $56,706 for F.E.C. equipments to be assumed. Fo F.E.C. independent reorganization, they are the contingent charges specified in the Commis sion's Report of January 8, 1945, plus estimate of $56,706 for equipments based on securitie outstanding January 1, 1947. In both cases sinking fund requirements are disregarded.

SCHEDULE C2

For Explanation See Reply of Atlantic Coast Line Railroad Company to Petitions for Modifications, dated July 29, 1947, pages 71-74.

Independent Reorganization—	
On $450 principal amount 4½% Income Bonds	$20.25
Available for 4½ shares of Common Stock at $2.93 per share	13.19
Total	$33.44
Unification Reorganization—	
On $300 principal amount 3½% First Mortgage Bonds	$10.50
On $175 principal amount 4¼% Income Mortgage Bonds	7.44
Available for 2 shares 4% Preferred Stock (2 x $5.67)..	11.34
Available for 1-1/3 shares Common Stock (1-1/3 x $5.67)	7.56
Total	$36.84
Percentage of difference =	10.17%

SCHEDULE C2

For Explanation See Reply of Atlantic Coast Line Railroad Company to Petitions for Modifications, dated July 29, 1947, pages 71-74.

Independent Reorganization—		
Income available for dividends, per sheet 1 ...	$ 592,319	
(Equivalent to $2.93 per share on 202,500 shares)		
Available earnings per $1,000 F. E. C. First and Refunding Bond:		
On $450 principal amount 4½% Income Bonds		$20.25
Available for 4½ shares of Common Stock		13.19
Total		$33.44
Unification Reorganization—		
Income available for dividends, per sheet 1 ...	$5,521,591	
Add: Net estimated savings to result from merger, after deduction of Federal income taxes	418,500	
Total income available for dividends	$5,940,091	
(Equivalent to $6.10 per share, collectively on proposed new preferred, and on existing and proposed common, aggregating 973,427 shares)		
Available earnings per $1,000 F. E. C. First and Refunding Bond:		
On $300 principal amount 3½% First Mortgage Bonds ...		$10.50
On $175 principal amount 4¼% Income Mortgage Bonds .		7.44
Available for 2 shares 4% Preferred Stock (2 x $6.10) ...		12.20
Available for 1-1/3 shares Common Stock (1-1/3 x $6.10).		8.13
Total		$38.27
Percentage of Difference =		14.44%

SCHEDULE C2

For Explanation See Reply of Atlantic Coast Line Railroad Company to Petitions for Modifications, dated July 29, 1947, pages 71-74.

Independent Reorganization—		
Income available for dividends, per sheet 1 ..	$ 592,319	
If only 70.52% of income available is paid out, conforming to a $4.00 dividend on new Preferred and Common, as developed below, the payment would be	417,703	
(Equivalent to $2.06 per share on 202,500 shares)		
Balance-Income not distributed	$ 174,616	
On $450 principal amount 4½% Income Bonds		$20.25
On 4½ shares of Common Stock at $2.06 per share		9.27
Total		$29.52
Unification Reorganization—		
Income available for dividends, per sheet 1 ..	$5,521,591	
$4.00 per share on new Preferred and Common (973,427 shares)	3,893,708	
(Ratio of Dividends to income available—70.52%).		
Balance-Income not distributed	$1,627,883	
On $300 principal amount 3½% First Mortgage Bonds		$10.50
On $175 principal amount 4¼% Income Mortgage Bonds		7.44
On 2 shares of 4% Preferred Stock		8.00
On 1⅓ shares of Common Stock		5.33
Total		$31.27
Percentage of Difference =		5.93%

SCHEDULE C2

For Explanation See Reply of Atlantic Coast Line Railroad Company to Petitions for Modifications, dated July 29, 1947, pages 71-74.

Independent Reorganization—		
Income available for dividends, per sheet 1 ..	$ 592,319	
If only 65.55% of income available is paid out, conforming to a $4.00 dividend on new Preferred and Common, as developed below, the payment would be	388,265	
(Equivalent to $1.92 per share on 202,500 shares)		
Balance	$ 204,054	
On $450 principal amount 4½% Income Bonds		$20.25
On 4½ shares of Common Stock at $1.92 per share ...		8.64
Total		$28.89
Unification Reorganization—		
Income Available for dividends, per sheet 1 ..	$5,521,591	
Add: Net estimated savings to result from merger, after deduction of Federal income taxes	418,500	
Total income available for dividends	$5,940,091	
$4.00 per share on new Preferred and Common (973,427 shares)	3,893,708	
(Ratio of dividends to income available—65.55%)		
Balance-Income not distributed	$2,046,383	
On $300 principal amount 3½% First Mortgage Bonds		$10.50
On $175 principal amount 4¼% Income Mortgage Bonds		7.44
On 2 shares of 4% Preferred Stock		8.00
On 1⅓ shares of Common Stock		5.33
Total		$31.27

Percentage of Difference = 8.24%

A.C.L. Ex no. 19

EXHIBIT 19
FILED
JAN 1 2 1949

Sheet No. 1 of F.E.C. Ry Co

EARNINGS PER SHARE OF STOCK UNDER PROPOSED UNIFICATION OF ATLANTIC COAST LINE AND FLORIDA EAST COAST COMPARED WITH SIMILAR EARNINGS ASSUMING AN INTERNAL RECORGANIZATION OF FLORIDA EAST COAST

TWELVE MONTHS ENDED OCTOBER 31, 1947

	A.C.L. & F.E.C. Consolidated and Adjusted	F.E.C. Independently Reorganized
Railway Operating Revenues (See Note 1)	$154,808,021	$37,219,758
Railway Operating Expenses (See Note 2)	135,086,553	32,254,849
Net Revenue from Railway Operations	$ 19,716,468	$ 4,964,909
Equipment and Joint Facility Rents—Net Debit (Reported)	2,643,237	1,262,105
Railway Tax Accruals:		
Other than Federal Income (Reported)	10,803,267	1,915,852
Federal Income (Estimated—See Note 3)	1,430,905	363,084
Net Railway Operating Income	$ 3,839,069	$ 1,423,868
Other Income (Reported)	6,795,764	167,847
Miscellaneous Deductions from Income (Reported)	155,862	31,460
Income Available for Fixed Charges	$ 10,478,971	$ 1,560,275
Fixed and Contingent Charges: (See Note 4)		
ACL and FEC	4,949,400	
FEC		967,956
Income after Fixed and Contingent Charges	$ 5,529,571	$ 592,319
Less: Dividends on 1,596 shares (1/1/47) Old Preferred Stock	7,980	
Income Available for New Preferred and Common Stock	$ 5,521,591	
Average per Share of Stock:		
973,427 shares	$ 5.67	
202,500 shares		$ 2.93

See Notes on reverse of this sheet.

Norms:

(1) Railway operating revenues (consolidated only) decreased $800,000 to elimin effect of A.C.L. change in accounting practice, as a result of which passenger revenue earn on tickets sold by foreign roads has been entered currently on an estimated basis, effecti with July, 1947, accounts, instead of being entered in the month following the one in whi earned. This change in practice caused the total passenger revenue figure (A.C.L.) to inclu earnings on foreign road sales for 13 months, instead of 12 months, and the adjustme eliminates the extra month.

(2) Railway Operating Expenses in both cases represent amounts reported less debi of $854,556 reported by F.E.C. May through October, 1947, account retirement of Okeechobe Branch. In the consolidated set up there has been eliminated a credit of $278,000 reporte in October, 1947, by the A.C.L. as deferred maintenance.

(3) Federal Income taxes for consolidated set up approximated at 38% of income aft fixed and contingent charges before deduction of Federal Income taxes, but excluding 85% of A.C.L. dividend income of $3,758,845, or $3,194,936, as non-taxable. For F.E.C. internal reorganization, the computation is made at 38% of income after charges before deduction fo Federal income taxes.

(4) Fixed and contingent charges for the consolidated set up include reported A.C.L. charges, including equipments, plus charges of $807,188 applicable to additional securitie it is proposed to issue, and estimate of $56,706 for F.E.C. equipments to be assumed. For F.E.C. internal reorganization, they are the contingent charges specified in the Commission's Report of January 8, 1945, plus estimate of $56,706 for equipments based on securities outstanding January 1, 1947. In both cases sinking fund requirements are disregarded.

Comparison of Earnings Available for Securities to Be Exchanged for Each $1,000 F. E. C. First and Refunding Mortgage Bond — Proposed Internal Reorganization vs. Proposed Unification with A. C. L.

Twelve Months Ended October 31, 1947

Based on Figures Shown on Sheet 1, and Assuming All Available Income is Distributed

Internal Reorganization—		
On $450 principal amount 4½% Income Bonds	$20.25	
Available for 4½ shares of Common Stock at $2.93 per share	13.19	
Total		$33.44
Unification Reorganization—		
On $300 principal amount 3½% First Mortgage Bonds	$10.50	
On $175 principal amount 4¼% Income Mortgage Bonds	7.44	
Available for 2 shares 4% Preferred Stock (2 x $5.67)	11.34	
Available for 1-1/3 shares Common Stock (1-1/3 x $5.67)	7.56	
Total		$36.84

Percentage of difference = 10.17%

Comparison of Earnings Available for Securities to Be Exchanged for Each $1,000 F. E. C. First and Refunding Mortgage Bond — Proposed Internal Reorganization vs. Proposed Unification with A. C. L.

Twelve Months Ended October 31, 1947

Based on Figures Shown on Sheet 1, But Considering Also Savings Effected to Result from Unification, and Assuming All Available Income is Distributed

Internal Reorganization—

Income available for dividends, per sheet 1 ...	$ 592,319	
(Equivalent to $2.93 per share on 202,500 shares)		
Available earnings per $1,000 F. E. C. First and Refunding Bond:		
On $450 principal amount 4½% Income Bonds		$20.25
Available for 4½ shares of Common Stock		13.19
Total		$33.44

Unification Reorganization—

Income available for dividends, per sheet 1 ...	$5,521,591	
Add: Net estimated savings to result from merger, after deduction of Federal income taxes	418,500	
Total income available for dividends	$5,940,091	
(Equivalent to $6.10 per share, collectively on proposed new preferred, and on existing and proposed common, aggregating 973,427 shares)		
Available earnings per $1,000 F. E. C. First and Refunding Bond:		
On $300 principal amount 3½% First Mortgage Bonds ...		$10.50
On $175 principal amount 4¼% Income Mortgage Bonds .		7.44
Available for 2 shares 4% Preferred Stock (2 x $6.10) ...		12.20
Available for 1-1/3 shares Common Stock (1-1/3 x $6.10).		8.13
Total		$38.27

Percentage of Difference — 14.44%

COMPARISON OF EARNINGS AVAILABLE FOR SECURITIES TO BE EXCHANGED FOR EACH $1,000 F. E. C. FIRST AND REFUNDING MORTGAGE BOND — PROPOSED INTERNAL REORGANIZATION VS. PROPOSED UNIFICATION WITH A. C. L.

TWELVE MONTHS ENDED OCTOBER 31, 1947

BASED ON FIGURES SHOWN ON SHEET 1, BUT ASSUMING THAT DIVIDENDS UNDER THE PROPOSED INTERNAL REORGANIZATION WOULD CONSTITUTE THE SAME PERCENTAGE OF INCOME AVAILABLE AS A $4.00 DIVIDEND ON PREFERRED AND COMMON UNDER THE PROPOSED UNIFICATION

Internal Reorganization—

Income available for dividends, per sheet 1 ..	$ 592,319		
If only 70.52% of income available is paid out, conforming to a $4.00 dividend on new Preferred and Common, as developed below, the payment would be	417,703		
(Equivalent to $2.06 per share on 202,500 shares)			
Balance-Income not distributed	$ 174,616		
On $450 principal amount 4½% Income Bonds		$20.25	
On 4½ shares of Common Stock at $2.06 per share		9.27	
Total			$29.52

Unification Reorganization—

Income available for dividends, per sheet 1 ..	$5,521,591		
$4.00 per share on new Preferred and Common (973,427 shares)	3,893,708		
(Ratio of Dividends to income available—70.52%).			
Balance-Income not distributed	$1,627,883		
On $300 principal amount 3½% First Mortgage Bonds		$10.50	
On $175 principal amount 4¼% Income Mortgage Bonds		7.44	
On 2 shares of 4% Preferred Stock		8.00	
On 1⅓ shares of Common Stock		5.33	
Total			$31.27

Percentage of Difference — 5.93%

Comparison of Earnings Available for Securities to Be Exchanged for Each $1,000 F. E. C. First and Refunding Mortgage Bond — Proposed Internal Reorganization vs. Proposed Unification with A. C. L.

Twelve Months Ended October 31, 1947

Based on Figures Shown on Sheet 1, But Considering Also Savings Expected to Result from Unification, and Assuming That Dividends Under the Proposed Internal Reorganization Would Constitute the Same Percentage of Income Available As a $4.00 Dividend on Preferred and Common Under the Proposed Unification

Internal Reorganization—

Income available for dividends, per sheet 1 ..	$ 592,319		
If only 65.55% of income available is paid out, conforming to a $4.00 dividend on new Preferred and Common, as developed below, the payment would be	388,265		
(Equivalent to $1.92 per share on 202,500 shares)			
Balance—Income not distributed	$ 204,054		
On $450 principal amount 4½% Income Bonds		$20.25	
On 4½ shares of Common Stock at $1.92 per share ...		8.64	
Total			$28.89

Unification Reorganization—

Income Available for dividends, per sheet 1 ..	$5,521,591		
Add: Net estimated savings to result from merger, after deduction of Federal income taxes	418,500		
Total income available for dividends	$5,940,091		
$4.00 per share on new Preferred and Common (973,427 shares)	3,893,708		
(Ratio of dividends to income available—65.55%)			
Balance-Income not distributed	$2,046,383		
On $300 principal amount 3½% First Mortgage Bonds		$10.50	
On $175 principal amount 4¼% Income Mortgage Bonds		7.44	
On 2 shares of 4% Preferred Stock		8.00	
On 1⅓ shares of Common Stock		5.33	
Total			$31.27

Percentage of Difference — 8.24%

A.C.L. Ex 1020

4827 Fin. Ed.

Sheet No. 1

EXHIBIT 20
F.E.C. Ry. Co.
vs

JAN 12 19[illegible]
[illegible] Clerk

EARNINGS PER SHARE OF STOCK UNDER PROPOSED UNIFICATION OF ATLANTIC COAST LINE AND FLORIDA EAST COAST COMPARED WITH SIMILAR EARNINGS ASSUMING AN INTERNAL REORGANIZATION OF FLORIDA EAST COAST

TWELVE MONTHS ENDED OCTOBER 31, 1948

	A.C.L. & F.E.C. Consolidated and Adjusted	F.E.C. Independently Reorganized
Railway Operating Revenues	$165,112,370	$28,583,186
Railway Operating Expenses (See Note 1)	141,280,445	24,165,175
Net Revenue from Railway Operations	$ 23,831,925	$ 4,418,011
Equipment and Joint Facility Rents — Net Debit — (Reported)	3,992,978	1,230,576
Railway Tax Accruals:		
Other than Federal Income	10,526,091	1,726,091
Federal Income (Estimated—See Note 2)	3,286,237	246,367
Net Railway Operating Income	$ 6,026,619	$ 1,214,977
Other Income (Reported)	7,044,360	185,530
Miscellaneous Deductions from Income (Reported)	167,774	20,674
Income Available for Fixed Charges	$ 12,903,205	$ 1,379,833
Fixed and Contingent Charges (See Note 3)		
ACL and FEC	4,817,118	
FEC		977,866
Income after Fixed and Contingent Charges	$ 8,086,087	$ 401,967
Less: Dividends on 1,554 shares 10-31-48) Old Preferred Stock	7,770	
Income available for new Preferred and Common Stock	$ 8,078,317	
Average per Share of Stock:		
973,427 shares	$ 8.30	
202,500 shares		$ 1.99

See Notes on reverse of this sheet.

Notes:

(1) Railway operating expenses in both cases represent amounts reported less debit of $113,057 reported by F. E. C. November, 1947, through October, 1948, account retirement of Okeechobee Branch. In the consolidated set-up there has been eliminated a credit of $817,275 reported through October, 1948, by the A. C. L. as deferred maintenance applicable to the year covered.

(2) Federal Income taxes for consolidated set-up approximated at 38% of income after fixed and contingent charges before deduction of Federal Income taxes, but excluding 85% of A. C. L. dividend income of $3,205,096, or $2,724,332, as non-taxable. For F. E. C. internal reorganization, the computation is made at 38% of income after charges before deduction for Federal Income Taxes.

(3) Fixed and contingent charges for the consolidated set-up include reported A. C. L. charges, including equipments, plus charges of $807,188 applicable to additional securities it is proposed to issue, and estimate of $66,616 for F. E. C. equipments to be assumed. For F. E. C. internal reorganization, they are the contingent charges specified in Commission's Report of January 8, 1945, plus estimate of $66,616 for equipments based on securities outstanding January 1, 1948. In both cases sinking fund requirements are disregarded.

Comparison of Earnings Available for Securities to Be Exchanged for Each $1,000 F. E. C. First and Refunding Mortgage Bond — Proposed Internal Reorganization vs. Proposed Unification with A. C. L.

Twelve Months Ended October 31, 1948

Based on Figures Shown on Sheet 1, and Assuming All Available Income is Distributed

Internal Reorganization—		
On $450 principal amount 4½% Income Bonds	$20.25	
Available for 4½ shares of Common Stock at $1.99 per share	8.96	
Total		$29.21
Unification Reorganization—		
On $300 principal amount 3½% First Mortgage Bonds ..	$10.50	
On $175 principal amount 4¼% Income Mortgage Bonds.	7.44	
Available for 2 shares 4% Preferred Stock (2 x $8.30)...	16.60	
Available for 1⅓ shares Common Stock (1⅓ x $8.30)...	11.06	
Total		$45.60

Percentage of Difference — 56.11%